

Department of Social and Health Services

**DP Code/Title: M2-FC Banking Fees**

**Program Level - 060 Economic Services Admin**

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Budget Period: 2003-05    Version: 11    2003-05 Agency Request Budget

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**Recommendation Summary Text:**

The Division of Child Support (DCS) has increased the number of child support payments while simultaneously decreasing the time the funds stay in the state Trust Fund. In addition, DCS has increased the use of electronic fund transfers by 56 percent over a three and one-half year period. These factors, plus the recent downturn in interest rates, have created a situation where costs are outpacing earnings.

**Fiscal Detail:**

**Operating Expenditures**

	<b><u>FY 1</u></b>	<b><u>FY 2</u></b>	<b><u>Total</u></b>
<b>Program 060</b>			
001-1 General Fund - Basic Account-State	111,000	111,000	222,000
001-A General Fund - Basic Account-DSHS Fam Support/Chi	216,000	216,000	432,000
<b>Total Cost</b>	<b>327,000</b>	<b>327,000</b>	<b>654,000</b>

**Staffing**

**Package Description:**

One of the division's goals is to ensure that custodial parents receive their child support payments in a timely, accurate, and efficient manner. To achieve this goal, DCS has actively marketed electronic payment options such as electronic fund transfers and the DCS secure card. Over the last three and one-half years the division has increased the number of electronic payments from 77,089 to 120,241, a 56 percent increase. Also, the recent downturn in interest rates has created a situation where costs are outpacing earnings.

The division maintains a contractual relationship with a financial institution to provide banking services for the Department of Social and Health Services (DSHS) Child Support Services Account, Fund 753. Due to a number of factors, the costs associated with banking services are out-pacing earnings.

The factors contributing to the increased bank costs and the reduction in earnings include:

- Very low interest rates. In September 2000, DCS was earning 6 percent on regular deposits and 7 percent on certificates of deposit. Current regular deposits are 1.65 percent and 3.5 percent on certificate of deposit.
- The federal requirement to disburse funds within 48 hours of receipt (see 42 USC 654B(c)(1)), effective October 1, 1998.
- An increase in the number of electronic funds transfers.

To reduce the gap between costs and earnings, DCS acquired a short term certificate of deposit to boost earnings and continues to closely examine the monthly billing statement for errors or irregularities.

These strategies have helped to reduce the rate at which the deficit grows each month, but has not offset the total deficit.

**Narrative Justification and Impact Statement**

***How contributes to strategic plan:***

The service provided by our financial institution directly impacts our ability to provide custodial parents with timely and accurate child support payments. Additionally, the contract requires that DCS reimburse the financial institution for costs in

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excess of earnings at the end of each fiscal period.

***Performance Measure Detail***

**Program: 060**

**Goal: 01F    Help people achieve self-sufficiency.**

No measures submitted for package

Incremental Changes

**FY 1**

**FY 2**

**Goal: 02A    Safeguard and improve the well-being of children.**

No measures submitted for package

Incremental Changes

**FY 1**

**FY 2**

**Goal: 02F    Maintain safety net for people in need.**

No measures submitted for package

Incremental Changes

**FY 1**

**FY 2**

***Reason for change:***

It is estimated that costs will outpace earnings by \$653,450 during the 2003-05 Biennium.

***Impact on clients and services:***

Currently, the financial institution provides DCS with basic banking services. These services include depository and withdrawal services, zero balance transfers, weekly check register data, weekly images of checks cashed, stop-payment, and limited reconciliation services.

***Impact on other state programs:***

Not applicable

***Relationship to capital budget:***

Not applicable

***Required changes to existing RCW, WAC, contract, or plan:***

Not applicable

***Alternatives explored by agency:***

The division recently went through the Request for Proposal (RFP) bidding and selection process. The financial institution selected had the lowest fee structure. Accordingly, selection of an alternative bank would not alleviate the shortfall.

DCS continues to streamline its operations to reduce the costs associated with banking services. However, most costs noted are driven by volume and cannot be reduced without adverse impacts on clients.

***Budget impacts in future biennia:***

It is assumed that the net annual costs of \$326,725 will continue in future biennia.

***Distinction between one-time and ongoing costs:***

All costs are ongoing.

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***Effects of non-funding:***

If this request is not funded, DCS would have to eliminate services thereby increasing the likelihood of audit findings and decreasing services provided to our customers such as check searches, address changes, stop-payment processing, forgery processing, and other one-on-one customer support.

Additionally, if DCS were to default on its contractual obligation as entered into with our financial institution, future child support payments may be jeopardized by the financial institution if the institution refuses to honor support checks.

Many families depend on support payments for day-to-day living expenses such as utilities, medical, and rent payments. If payments were disrupted, these families would be unable to pay for basic necessities.

***Expenditure Calculations and Assumptions:***

Estimated Regular Earnings	\$ 55,646
Estimated Certificate of Deposit Earnings	\$ 150,000
Estimated Banking Fees	\$(662,371)
Estimated Fiscal Year 2004 Shortfall	\$(456,725)
Previous 2000 Supple Request Funded	\$ 130,000
Adjusted Annual Shortfall	\$(326,725)

<b><u>Object Detail</u></b>	<b><u>FY 1</u></b>	<b><u>FY 2</u></b>	<b><u>Total</u></b>
<b>Program 060 Objects</b>			
E    Goods And Services	327,000	327,000	654,000

**DSHS Source Code Detail**

<b>Program 060</b>		<b><u>FY 1</u></b>	<b><u>FY 2</u></b>	<b><u>Total</u></b>
<b>Fund 001-1, General Fund - Basic Account-State</b>				
<b><u>Sources</u></b>	<b><u>Title</u></b>			
0011	General Fund State	111,000	111,000	222,000
<b>Total for Fund 001-1</b>		<b>111,000</b>	<b>111,000</b>	<b>222,000</b>
<b>Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi</b>				
<b><u>Sources</u></b>	<b><u>Title</u></b>			
5631	Title IV-D Child Support Enforcement (A) (66%)	216,000	216,000	432,000
<b>Total for Fund 001-A</b>		<b>216,000</b>	<b>216,000</b>	<b>432,000</b>
<b>Total Program 060</b>		<b>327,000</b>	<b>327,000</b>	<b>654,000</b>